

# Conflict in the boardroom

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*If you missed the “Conflict in the boardroom” session at the 2023 IoD NZ Leadership Conference, we’ve captured “outtakes” from it. These highlight some key themes and insights from the session and outline a few specific actions for directors and boards arising from it.*

*Board members should consider:*

*- Setting clear success measures for their boards*

*- Putting in place board policies including a code of conduct*

*- Being clear about their shared ethics and values*

*- Focusing on their behaviour and reflecting on their impact on others.*

Advice on governance practice most often focuses on the structure and operation of the board. Governance codes and legislation generally address these issues. In [Disaster in the Boardroom](#), Gerry Brown and Randall Peterson argue that “beyond often performative regulatory environments lies the hidden social and psychological structures that underlie the political power games of the board as both teams and individuals as well as how it approaches and fulfils its managerial and oversight responsibilities”.

It is these underlying social and psychology matters and team/board dynamics that are key to conflict in the boardroom. It isn’t an accident that an effective board culture is the second pillar of [The Four Pillars of Governance Best Practice](#) which notes that: “The board adds value by acting as a team with a high-performance culture committed to engaged quality governance of the entity. It supports open debate, diversity, thoughtful challenge and constructive dissent”.

Despite this focus and the best of intentions, board dysfunction and conflict still happen. Brown and Peterson say that “*board dysfunctions do not appear from nowhere. They evolve out of weak, poorly defined cultures where board members do not actively engage to shape the culture of their board and organisation*”.

[Carol Scholes CMinstD](#) made a similar point at the 2023 IoD NZ Leadership Conference noting that there are usually tell-tale signs of looming conflict in the boardroom. It starts with discomfort which, if acknowledged and addressed, can be headed off at the pass. Early indicators of conflict include directors' behaviour including body language such as eye rolling, straying into detail/management, and sharing their "expertise". Often it is more about what is *not* said than what *is* said. Without early intervention tensions rise.

There are some key things that can help address this.

## **Actions for directors and boards**

### ***1. Set clear expectations***

Clear board expectations for success are essential. Ask "what a well-functioning board would look like?" to the members of the board. The expectations become a touchstone for board members when the potential for conflict arises.

### ***2. Have policies for the way the board will operate***

The primary policy is the code of conduct mutually agreed by the board. This also needs to be a key focus of induction that is championed by all board members.

### ***3. Be clear about values and ethics***

Ethics and values are a bedrock of successful boards and directors' duties. The *Four Pillars of Governance Best Practice* notes that "how the board deals with pressing and challenging problems can be an accurate indicator of the company's/[organisations'] culture. It can have the most impact on the values embraced by management and, inevitably, by every employee throughout the company/[organisation]".

### ***4. Look to yourself and your own behaviour***

The only behaviour that directors can manage and change is their own. This includes moving beyond conflict aversion such as pretending conflict didn't happen, or letting things go and only addressing conflict when it turns into something bigger than it should be. On an ongoing basis directors should:

- "look in the mirror" in relation to their behaviour around the board table
- be curious about interactions with other board members and their reactions to them.

### ***5. Board culture***

Candour, challenging assumptions, probing questions and diverse perspectives are all elements of an open exchange of information and ideas. However, it is important to establish a culture of constructive debate based on mutual respect and understanding where these behaviours do not risk creating conflict. Healthy tension does not need to be a source of conflict.

## ***6. Managing conflicts***

Conflict is most likely to emerge when decisions are being made. Understanding the underlying source of a conflict helps us to manage it – relationships, information, values, conflicts of interests etc. If a conflict is not resolved at the time, disagreements can become personal and can then become destructive. Conflicts cannot be left unresolved.

## ***7. Board evaluations***

Regular board evaluations provide an ideal platform for identifying problems and potential conflicts, and provide a collaborative process for resolving any issues. Systematic review of the performance of individual directors, including the chair, and the board as a whole, helps address weaknesses, increases skill levels and demonstrates a commitment to accountability.